

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5302-05  
Bill No.: Truly Agreed To and Finally Passed SS for HJR 68  
Subject: Constitutional Amendments; Taxation and Revenue - Sales and Use; Roads and Highways; Transportation  
Type: Original  
Date: June 11, 2014

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Bill Summary: This proposal would submit to the voters a constitutional amendment imposing a 3/4% temporary increase in the state sales and use tax to be used for transportation projects.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	\$0 or (More than \$7,100,000)	\$0 or (\$158,189)	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (More than \$7,100,000)</b>	<b>\$0 or (\$158,189)</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 16 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Transportation Safety and Job Creation	\$0	\$0 or Less than \$240,000,000	\$0 or \$480,000,000
County Aid Transportation *	\$0	\$0	\$0
Municipal Aid Transportation *	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0 or Less than \$240,000,000</b>	<b>\$0 or \$480,000,000</b>

\* offsetting revenues and distributions.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0 or Less than \$27,000,000	\$0 or \$54,000,000

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** provided the following response to a previous version of this proposal.

Each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly. Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. The Missouri Constitution authorizes the Governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, the Missouri Constitution requires the state to pay the costs. The cost of a special election is estimated to be \$7.1 million, based on analyzing and totaling expense reports received from local election authorities for the 2012 Presidential Preference Primary.

ASSUMPTION (continued)

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by the Missouri Constitution and state law, and the SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 in even numbered fiscal years. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the number of initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue).

Therefore, SOS assumes, for the purposes of this fiscal note, that it would have the full appropriation authority it needs to meet the publishing requirements. However, because the publications are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

General Revenue Fund sales tax collections totaled \$1,897.5 million in FY 2013, at the 3% rate, and BAP officials assume an additional 0.75% would generate  $(\$1,897.5 \text{ million} / 3 \times .75) = \$474.4 \text{ million}$  annually.

The general sales tax does not apply to motor vehicles, but the proposed 0.75% increase would apply to motor vehicles. Based on information in the Department of Revenue (DOR) annual report for FY 2012, \$218.2 million was collected at the at the current 3% tax rate, and BAP officials assume an additional 0.75% would generate  $(\$218.2 \text{ million} / 3 \times .75) = \$54.6 \text{ million}$ . Similarly, \$70.9 million was collected for highway use taxes at a rate of 4% and BAP officials assume an additional 0.75% would generate additional revenues of  $(\$70.9 \text{ million} / 4 \times .75) = \$13.3 \text{ million}$  annually. In summary, BAP estimates an annual increase in sales tax revenue of approximately \$542.3 million ( $\$474.4 \text{ million} + \$54.6 \text{ million} + \$13.3 \text{ million}$ ).

ASSUMPTION (continued)

If this proposition is approved by voters, the additional sales tax increase would become effective January 1, 2015. Budget and Planning officials estimated additional revenues for the five months remaining in FY 2015 of \$225.9 million ( $\$542.36 \text{ million} \times 5 / 12$ ) for FY 2015.

The proposition would exclude revenues generated from this proposed legislation from the current constitutional definition of Total State Revenues (TSR), and the additional revenues would not be considered in the calculations required by Section 18e due to the voter approval requirement.

BAP officials also noted the proposal includes language to prohibit the use of funds for administrative purposes. However, the language allows DOR to retain the actual costs of collection not to exceed one percent of collections. DOR may have information on the adequacy of one percent to provide sufficient authority to cover all costs. If not, there may be a cost to the General Revenue Fund.

Officials from the **Department of Transportation (MODOT)** assume this proposal would provide additional revenues for the first year (January 1, 2015 - December 31, 2015) of \$539 million based on FY 2013 General Revenue Fund Sales and Use Tax revenue. The General Revenue Fund Sales and Use Tax revenue is consistent with the exemptions in this proposal as of July 1, 2013, since it does not include tax on food, prescription drugs, motor fuel and motor vehicle sales.

Estimated additional revenue

(Numbers in \$ millions.)

FY 2013 General Revenue Fund Sales Tax Based on 4% rate	\$1,868
New Transportation Revenue at 0.75%	\$467
Additional Motor Vehicle Sales Tax at 0.75%	\$72
Total Additional Revenue	\$539

ASSUMPTION (continued)

Allocation of Additional Revenue

(Numbers in millions.)

Entity	Allocation	Amount
MODOT	90%	\$480
Cities	5%	\$27
Counties	5%	\$27
Total distributed		\$534
Department of Revenue collection charges		\$5
Total		\$539

Officials from the **Department of Revenue (DOR)** assume this proposal would increase the state sales and use tax rate by three fourths of one percent; however, the increase would not apply to the retail sale of food as defined by the Missouri Sales Tax Law.

Fiscal impact

DOR officials noted in FY 2013, the Department collected \$1.895 billion in general sales and use tax. Increasing the general sales and use tax by a rate of three fourths of one percent would result in \$474 million annually in additional revenue to be distributed as follows:

County Aid Transportation Fund	5%	\$23,700,000
Municipal Aid Transportation Fund	5%	\$23,700,000
Transportation Safety and Job Creation Fund	90%	<u>\$426,600,000</u>
Total		\$474,000,000

ASSUMPTION (continued)

DOR officials also noted in FY 2013, the Department collected \$348,929,691 in state motor vehicle sales and use tax. Adding an additional three fourths of one percent tax on motor vehicles would result in an estimated \$61.32 million annually in additional revenue to be distributed as follows:

County Aid Transportation Fund	5%	\$ 3,066,039
Municipal Aid Transportation Fund	5%	\$ 3,066,039
Transportation Safety and Job Creation Fund	90%	<u>\$55,188,702</u>
Total distributed		\$61,320,780
Highway Fund Distribution		\$ 619,402

DOR officials assume the amount shown as the Highway Fund Distribution would be requested through the appropriation process for the cost of collections.

DOR officials also noted in FY 2013, the Department collected \$6,800,873 in marine sales tax. Adding an additional three fourths of one percent tax on marine sales would result in an estimated \$1.195 million annually in additional revenue to be distributed as follows:

County Aid Transportation Fund	5%	\$59,759
Municipal Aid Transportation Fund	5%	\$59,759
Transportation Safety and Job Creation Fund	90%	<u>\$1,075,665</u>
Total distributed		\$1,195,183
General Revenue Fund Distribution		\$12,073

DOR officials assume the amount shown as the General Revenue Fund Distribution would be requested through the appropriation process for the cost of collections.

Administrative impact

DOR officials assume the additional funds would be distributed in the same manner and at the same time as the CART fund distribution is made, and noted the Excise Tax section currently performs the distribution process. DOR officials assume programming changes would be required, but no additional FTE would be necessary.

ASSUMPTION (continued)

DOR officials assume the Department would need to mail rate change letters to approximately 150,000 businesses if the proposal is implemented, and provided the following estimate of mailing cost.

Letters:	\$0.025 x 150,000
Envelops:	\$0.04 x 150,000
Postage:	\$0.49 x 150,000
Total	\$0.555 x 150,000 = \$83,250.

DOR officials also assume Motor Vehicle Bureau procedures would need to be revised by a Management Analyst Specialist I, requiring 40 hours at a cost of \$840 in FY 2015, and the Departments website would need to be revised requiring 10 hours for an Administrative Analyst III, at a cost of \$230 in FY 2015. Finally, Motor Vehicle procedures would require testing for identified system modifications and assume there would be 200 hours of testing by a Management Analyst Specialist I at a cost of \$4,200 in FY 2015.  
(Total (\$840 + \$230 + \$4,200) = \$5,270)

IT impact

DOR officials assume the IT cost to implement this proposal would be \$69,669 based on 2,552 hours of programming at \$27.30 to make changes to DOR systems.

Excise Tax	1,112 hours
Motor Vehicle Tax	400 hours
Delinquent Fees	400 hours
Missouri Transportation Accounting System	400 hours
Sales Tax Calculator	80 hours
MV Refund Track	80 hours
MV Bad Check	80 hours
Total	<u>2,552 hours</u>



ASSUMPTION (continued)

The total DOR estimate of cost to implement this proposal is as follows:

Mailing	\$83,250
Overtime	\$5,270
IT	<u>\$69,669</u>
Total	<u>\$158,189</u>

**Oversight** notes that DOR costs would be incurred to implement this program, and only if the proposal is approved by the voters. Accordingly, Oversight will indicate costs of \$0 or the DOR estimate for the notifications and computer system changes.

**Oversight** has reflected in this fiscal note, the cost to the state for potential reimbursement to local political subdivisions for the cost of having this joint resolution voted on during a special election in fiscal year 2014. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled general election is in November 2014 (FY 2015). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2014.

**Oversight** will include \$0 (proposition not approved by the voters) or the MODOT estimate of additional revenue (proposition approved and implemented) for the County Aid Transportation Fund, the Municipal Aid Transportation Fund, and the Transportation Safety and Job Creation Fund.

The revenues in the County Aid Transportation Fund and Municipal Aid Transportation Fund would be distributed to local governments, and \$0 or the amount of those estimated distributions will be included in this fiscal note. Oversight assumes the proposition would be submitted to the voters in November, 2014 and implemented as of January 1, 2015 if approved by the voters. Therefore, less than 50% of the annual estimate would be collected the first year, FY 2015.

ASSUMPTION (continued)

**Oversight** will also assume for fiscal note purposes that the additional cost to the General Revenue Fund for Department of Revenue collections would be approximately equal to the one percent limitation on reimbursement from the proceeds of the additional sales tax.

	<u>FY 2015</u>	<u>FY 2016 and following years</u>
Transportation Sales Tax Fund	Less than \$240 million	\$480 million
County Aid Transportation Fund (50% of local portion)	Less than \$13.5 million	\$27 million
Municipal Aid Transportation Fund (50% of local portion)	Less than \$13.5 million	\$27 million
General Revenue Fund (Reimbursement of collection cost)	Less than \$2.5 million	\$5 million

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Additional revenue</u>		\$0 or Less than	\$0 or
Collection cost reimbursement	\$0	\$2,500,000	\$5,000,000
<u>Transfer Out</u> - Secretary of State - reimbursement of local election authority election costs if a special election is called	\$0 or (More than \$7,100,000)	\$0	\$0
<u>Cost - DOR</u> Administration	\$0	\$0 or (\$158,189)	\$0
<u>Cost - DOR</u> Collection	\$0	\$0 or (Less than \$2,500,000)	\$0 or (\$5,000,000)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 or (More than \$7,100,000)</b>	<b>\$0 or (\$158,189)</b>	<b>\$0</b>
<b>TRANSPORTATION SAFETY AND JOB CREATION FUND</b>			
<u>Revenue</u> - sales tax	\$0	\$0 or Less than \$240,000,000	\$0 or \$480,000,000
<b>TRANSPORTATION SAFETY AND JOB CREATION FUND</b>	<b>\$0</b>	<b>\$0 or Less than \$240,000,000</b>	<b>\$0 or \$480,000,000</b>

FISCAL IMPACT - State Government  
 (Continued)

FY 2015                      FY 2016                      FY 2017  
 (10 Mo.)

**COUNTY AID TRANSPORTATION  
 FUND**

		\$0 or Less than	\$0 or
<u>Revenue</u> - sales tax	\$0	\$13,500,000	\$27,000,000
<u>Transfer</u> - required distribution to local governments	\$0	\$0 or (Less than \$13,500,000)	\$0 or (\$27,000,000)

**ESTIMATED NET EFFECT ON  
 COUNTY AID TRANSPORTATION  
 FUND**

\$0                      \$0                      \$0

**MUNICIPAL AID  
 TRANSPORTATION FUND**

		\$ or Less than	\$0 or
<u>Revenue</u> - sales tax	\$0	\$13,500,000	\$27,000,000
<u>Transfer</u> - required distribution to local governments	\$0	\$0 or (Less than \$13,500,000)	\$0 or (\$27,000,000)

**ESTIMATED NET EFFECT ON  
 MUNICIPAL AID  
 TRANSPORTATION FUND**

\$0                      \$0                      \$0

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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**LOCAL GOVERNMENTS**

<u>Transfer in</u> - from County Aid Transportation Fund	\$0	\$0 or Less than \$13,500,000	\$0 or \$27,000,000
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<u>Transfer in</u> - from Municipal Aid Transportation Fund	\$0	\$0 or Less than \$13,500,000	\$0 or \$27,000,000
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<u>Transfer In</u> - Local Election Authorities - reimbursement of election costs by the State if a special election is called	\$0 or More than \$7,100,000	\$0	\$0
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<u>Cost</u> - Local Election Authorities - cost of the election	\$0 or (More than \$7,100,000)	\$0	\$0
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$0 or Less than \$27,000,000</u></b>	<b><u>\$0 or \$54,000,000</u></b>
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FISCAL IMPACT - Small Business

This proposal would, if approved by the voters, have a direct fiscal impact to small businesses since the proposed 0.75 % sales and use tax would apply to the sale of all tangible personal property and services.

## FISCAL DESCRIPTION

This proposal would submit to the voters a constitutional amendment imposing a temporary, ten-year state sales and use tax for transportation projects.

Upon voter approval, the proposed constitutional amendment would raise the state sales and use tax by three fourths of one percent for a period of 10 years. The proceeds from the additional tax would be used for transportation purposes. The tax measure is temporary and would be resubmitted to the voters every 10 years until the measure is defeated.

Five percent of the additional sales and use tax proceeds would be deposited into a newly created County Aid Transportation Fund. Moneys in the fund would be distributed to the counties based on the county road mileage and assessed rural land valuation calculation in the Missouri Constitution, except that 5% of the moneys would be distributed to the City of St. Louis. Proceeds distributed to the counties could be used for local highways and bridges, for state highway system purposes, or for county transportation system purposes.

In a similar manner, 5% of the additional sales and use tax proceeds would be deposited into the newly created Municipal Aid Transportation Fund. Moneys in the fund would be distributed to cities, towns and villages based on the population ratio calculations in the Missouri Constitution. Proceeds distributed to the cities, towns, and villages could be used for local roads and streets, for state highway system purposes, or for city transportation system purposes.

The remaining 90% of the additional sales and use tax proceeds would be deposited into a newly created Transportation Safety and Job Creation Fund. Moneys in that fund could be expended by the Highways and Transportation Commission for state highway or transportation purposes.

The proposed resolution would require the additional three fourths of one percent sales and use tax to expire in 10 years unless renewed by the voters. If the tax measure is ever disapproved by Missouri voters, the tax would terminate at the end of the year following the election. The proposed resolution would require voter approval for any increase in tolls or fees, any motor fuel tax increases, or the conversion of any existing roads or bridges to toll operation.

The proposed resolution would require the commission to annually submit a report to the Governor and General Assembly. The report would include the status of state highway system and state transportation system projects, programs, and facilities that were approved by the commission and funded from the proceeds of the additional sales and use taxes levied, imposed, and collected under the proposed resolution.

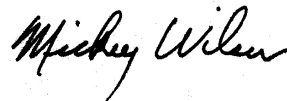
FISCAL DESCRIPTION (continued)

The proposed resolution also includes ballot language and a fiscal note.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
Department of Transportation



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June 11, 2014

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